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UNITED STATES GENERAL ACCOUNTING OFFICE

WASHINGTON, D C 20548

CIVIL DIVISION

JUN 26 1969

Dear Mr. Sampson:

The General Accounting Office has examined into the effectiveness of the Federal Supply Service, General Services Administration (GSA), in meeting the supply requirements of military and civilian agencies located within the continental United States.

Our examination was performed at GSA Central Office and Region 3 offices in Washington, D.C., and at the GSA depot, Franconia, Virginia, during the period January through September 1967. In addition, we visited other GSA depots and military and civilian customer agencies located in Region 3's geographic area. The purpose of this letter is to furnish you a summary of our work.

Our review was directed primarily to a selective sample of 1,614 current requisitions submitted by domestic customers during the 6-week period ending March 23, 1967. By excluding requisitions that were canceled, extracted or referred to other GSA regions, filled by stores direct delivery, or for which complete information was not available, we obtained a purified sample of 1,383 requisitions. We traced these requisitions through the supply system--from date of origin to receipt of material by requisitioning agency--and compared both total pipeline time and supply source (GSA) processing time against the time standards established for each priority group.

Our review showed that of the 1,383 requisitions traced through the entire supply pipeline, only 877--about 63 percent--were filled within the time standard for the issue priority specified by the requisitioners, as shown in the following table.

Priority group	Pipeline time standard	Line items			
		Sample size	On time	Late	Percent on time
ONE	5 days	81	13	68	16
TWO	8 days	326	95	231	29
THREE	20 days	487	317	170	65
FOUR	30 days	489	452	37	92
Totals		<u>1,383</u>	<u>877</u>	<u>506</u>	63

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We found that supply pipeline time standards were not met because of (1) customers' delays in forwarding requisitions to GSA, (2) delays in routing requisitions to proper GSA stocking points, (3) Region 3's need for management attention to the overall area of domestic priority effectiveness, (4) excessive time elapsed in shipping material to customers, and (5) customers' delays in recording material received from GSA on inventory records. We also found that civilian agencies seriously burdened Region 3's supply operations by repeatedly requisitioning routine-type items on a high priority basis.

With respect to GSA's segment--from receipt of the requisition to release of material to the carrier--of the supply pipeline, we found that Region 3's internal data and published statistics overstated its priority supply effectiveness. The following table compares Region 3's supply effectiveness statistics for January through March 1967 with the results of our 6-week sample.

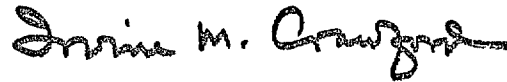
<u>Priority group</u>	<u>Supply source time standard</u>	<u>GSA statistics (excluding backorders)</u>	<u>GAO statistics (excluding backorders)</u>
ONE	1 day	99%	63%
TWO	3 days	99%	87%
THREE	10 days	97%	69%
FOUR	12 days	98%	91%

Based on our sample of requisitions, we concluded that Region 3's overall priority effectiveness was actually less than 80 percent and not over 98 percent, as reported. In our opinion, the review showed a need in Region 3 for (1) strong management emphasis on meeting priority effectiveness goals, (2) depot surveillance and controls to assure orderly processing techniques, and (3) an accurate and reliable priority effectiveness reporting system.

The above matters were discussed informally with members of your staff during the course of our review. Subsequently, GSA Central Office, Office of Supply Distribution, conducted a survey which disclosed numerous findings that cast serious doubts on the credibility of Region 3's priority effectiveness reports. Moreover, the GSA survey found that Region 3 management's attention to the priority effectiveness area was "entirely unsatisfactory." Because of the scope and constructiveness of the recommendations contained in the survey report, dated June 3, 1968, we are making no recommendations at this time.

We wish to acknowledge the cooperation given to our representatives during our examination.

Sincerely yours,

A handwritten signature in dark ink, reading "Irvine M. Crawford". The signature is written in a cursive style with a large, stylized "I" and "C".

Irvine M. Crawford  
Assistant Director

Mr. Arthur F. Sampson, Commissioner  
Federal Supply Service  
General Services Administration